

Message Text

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ACTION EB-07

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AMCONSUL DHAHRAN
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E.O. 11652: N/A
TAGS: ETRD BEXP MU
SUBJECT: NEGATIVE IMPACT OF INCREASED INCOME TAXES FOR AMERICANS
OVERSEAS

REF: ABU DHABI 3277

1. WE FULLY AGREE WITH EMBASSY ABU DHABI'S COMMENTS ON NEGATIVE
EFFECT OF NEW INCOME TAX LEGISLATION IN REGARD TO U.S. BUSINESS
OVERSEAS. AMCIT BUSINESSMEN IN OMAN HAVE BEEN UNDERSTANDABLY
ANNOYED AT THE REDUCTION IN THEIR DISPOSABLE PERSONAL IN-
COME. BOTH IN INDIVIDUAL COMMENTS AND AS A GROUP CONSENSUS
DURING RECENT EMBASSY MEETING WITH REPRESENTATIVES OF U.S. COM-
PANIES, BUSINESSMEN HAVE DECRIED LACK OF CONGRSSIONAL INTEREST
IN AMCITS OVERSEAS AND THE APPARENT FAILURE TO APPRECIATE HOW
AMERICAN MANAGERIAL AND TECHNICAL TALENT ABROAD CREATES LONG-
TERM ADVANTAGES FOR THE U.S.
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2. OUR RESIDENT AMCIT BUSINESS SOURCES TELL US THAT SOME
AMERICAN BUSINESSMEN IN OMAN WILL REFUSE TO STAY HERE IF THEIR
TAKE-HOME PAY IS SUBSTANTIALLY REDUCED, AND THAT AMERICAN
FIRMS ARE RELUCTANT TO RAISE SALARIES AS WAY OF COMPENSATING
FOR HIGHER TAXES FOR FEAR OF BECOMING UNCOMPETITIVE. IF U.S.

FIRMS IN OMAN ARE FORCED TO HIRE BRITISH AND OTHER EUROPEAN EXECUTIVES INSTEAD OF AMERICANS, COMPANIES WILL START TO LOSE THEIR AMERICAN ORIENTATION, AND IT IS QUITE PROBABLE THAT NON-AMERICAN NATIONALITY OF EXECUTIVES WILL INFLUENCE SOURCES OF SUPPLY. A REDUCTION IN U.S. CONSULTANT PRESENCES (NOW CONCENTRATED IN KEY ECONOMIC SECTORS) IS ALSO LIKELY AS TAX BURDEN BECOMES FELT.

3. WE BELIEVE THAT OBJECTIONABLE FEATURES OF NEW TAX LAW ARE LARGELY DUE TO STEREOTYPED IMAGE OF BUSINESS AND MULTINATIONAL CORPORATIONS. A SHARP REDUCTION IN U.S. COMMERCIAL PRESENCE MIGHT HAVE A NEGATIVE IMPACT ON USG POLITICAL RELATIONS WITH OMAN. WE RECOMMEND THAT THE DEPARTMENT AND OTHER WASHINGTON AGENCIES TAKE WHATEVER ACTION IS FEASIBLE TO PLACE BEFORE CONGRESS THE VALID ARGUMENTS FOR A TAX BILL THAT WOULD KEEP AMERICAN FIRMS FROM LOSING HARD-WON GROUND TO EUROPEAN AND JAPANESE COMPETITION.
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